

Message Text

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11

ACTION EB-11

INFO OCT-01 EA-11 ADP-00 EUR-25 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 OMB-01 RSR-01

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R 170430Z AUG 73

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 7028

INFO AMEMBASSY CANBERRA

LIMITED OFFICIAL USE WELLINGTON 2172

EO 11652: N/A

TAGS: ETRD, NZ

SUBJ: NEW ZEALAND REACTION TO AUSTRALIAN TARIFF CUTS

REFS: A. CBERRA 4023

B. CBERRA 4408

1. SUMMARY: NZ MANUFACTURERS UNCERTAINTY AND CONCERN
WITH AUSTRALIAN TARIFF CUTS, THOUGH INITIALLY GREAT NOW
DIMINISHING. END SUMMARY

2. ABOUT 45 PER CENT OF NZ EXPORTS TO AUSTRALIA ARE
MANUFACTURED PRODCUTS AND NEARLY THE SAME PERCENTAGE OF ALL
NZ EXPORTS OF MANUFACTURED GOODS GO TO AUSTRALIA
AND THESE PERCENTAGES ARE GROWING.

3. PRESIDENT N.Z. MANUFACTURERS' FEDERATION, MR. F.
TURNOVSKY TOLD EMBASSY ECON OFFICER THAT THOUGH NZ
MANUFACTURERS WERE SHOCKED BY AUSTRALIAN ANNOUNCEMENT
AND INITIALLY FEARS A U E A R F U L OF EFFECTS ON NZ MANUFACTURING
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SECTOR WHICH GNZ ENCOURAGING TO ORIENT TOWARD EXPORT

MARKETS(MOST IMPORTANT OF WHICH IS AUSTRALIA), AUSTRALIAN SUBSEQUENT OFFER TO READJUST TARIFF PREFERENCES TO ASSURE FORMER NZ TARIFF MARGINS HAS REASSURED NZ INDUSTRIALISTS. ACCORDING TO AUSTRALIAN TRADE COMMISSION HERE, THE ITEM BY ITEM REVIEW OF PRODUCTS WHICH HAS STARTED MAY TAKE A NUMBER OF WEEKS. SPECIAL FORMULAE WILL BE USED, INTERESTINGLY THOUGH NAFTA (WHICH ACCOUNTS FOR ABOUT ONE-HALF NZ-AUSTRALIAN TRADE) IS SUPPOSED TO ASSURE NZ THE GREATEST TARIFF ADVANTAGES, THE NET EFFECT OF THE AUSTRALIAN TARIFF REDUCTIONS ON THIS TRADE WILL BE GENERALLY TO REDUCE NZ'S ADVANTAGE. MR. TUNOVSKY SAID THAT IN THESE CASES HE UNDERSTOOD THE GOA WOULD PROBABLY GIVE SOME COMPENSATION TO NZ. HE DID NOT ELABORATE ON TYPE OF COMPENSATION OR HOW MUCH.

4. COMMENT: IN SHORT RUN, WITH NZ INDUSTRY RUNNING AT FULL STEAM IT DOUBTFUL THAT NZ CAN PROFIT FROM THE LOWER AUSTRALIAN TARIFFS BY INCREASING EXPORTS.

5. IN LONG-RUN, COMPARATIVE INFLATION AND EXCHANGE RATES OF TWO COUNTRIES WILL BE GREATER CONTROLLING FACTOR IN GROWTH OF NZ MANUFACTURED EXPORTS TO AUSTRALIA THAN THE LOWERED TARIFFS (TURNOVSKY EXPRESSED OPTIMISM THAT NZ WOULD FARE WELL IN THIS REGARD.).
WOOD

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